

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----100631Z 013837 /12

P 100105Z JUN 77  
FM USLO PEKING  
TO SECSTATE WASHDC PRIORITY 7972  
INFO AMCONSUL HONG KONG PRIORITY  
AMEMBASSY MOSCOW PRIORITY  
AMEMBASSY TAIPEI PRIORITY

C O N F I D E N T I A L SECTION 1 OF 7 PEKING 1173

EXDIS

C O R R E C T E D C O P Y (TEXT)

EO 11652: XGDS-3  
TAGS: PINT, ECON, CH, US

SUBJ: YOUNG POLITICAL LEADERS MEETING WITH LI HSIEN-NIEN: VERBATIM  
TRANSCRIPT

REF: PEKING 1048

1. YOUNG POLITICAL LEADERS MEETING WITH VICE PREMIER LI  
HSIEN-NIEN. PLACE: GREAT HALL OF THE PEOPLE, SOUTH ENTRANCE.  
TIME: MAY 24, 1977, 10 AM TO 11:40 AM. CHINESE PARTICI-  
PANTS: LI HSIEN-NIEN, VICE PREMIER; TANG WEN-SHENG (INTER-  
PRETER; WANG HAI-JUNG, VICE  
FOREIGN MINISTER; KO FO-NIEN, CPIFA; KANG TAI-SHA, CPIFA;  
FAO KUO-HSIANG, CPIFA; LIEN CHENG-PAO, FOREIGN MINISTRY;  
HO CHU-FENG, CPIFA; KAO CHING-JUI, CPIFA; PI KANG, CPIFA;  
YIN TSO-CHIN, CPIFA. AMERICAN PARTICIPANTS: YOUNG POLITICAL  
LEADERS DELEGATION MEMBERS; DAVID DEAN, ACTING CHIEF, USLO;  
DONALD KEYSER, POLITICAL OFFICER, USLO (NOTE TAKER)

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2. LI HSIEN-NIEN (HEREAFTER ABBREVIATED AS LI): YOU  
GUESTS HAVE ALL COME FROM AFAR. I WOULD LIKE TO EXPRESS  
MY WELCOME TO YOU. YOU ARE ALL VERY YOUNG. LET US  
LEARN FROM YOU.

3. O'NEILL: THANK YOU FOR TAKING YOUR TIME TO WELCOME  
US. WE HAVE ALREADY BEEN HERE A WEEK AND WE HAVE BEEN

VERY IMPRESSED BY WHAT WE HAVE SEEN.

4. LI: YOU ARE ALL YOUNG POLITICAL LEADERS AND I SUPPOSE ONE OF YOU WILL BECOME A FUTURE PRESIDENT.

5. LI: O'NEILL: I KNOW YOUR TIME IS VERY TIGHT. I WOULD LIKE TO TURN THE QUESTION PART OF OUR PROGRAM OVER TO ONE OF OUR GROUP. DOES THAT MEET WITH YOUR APPROVAL? THE GROUP MEMBER IS BELLAMY FROM NEW YORK STATE. WE HAVE ASKED HER TO REPRESENT THE WHOLE DELEGATION IN POSING QUESTIONS.

6. LI: I WILL ANSWER THOSE QUESTIONS THAT I CAN.

7. O'NEILL: THANKS. CAN I ASK MISS BELLAMY TO BEGIN?

8. LI: ALRIGHT. THOSE QUESTIONS I CAN ANSWER, I WILL. THOSE QUESTIONS I CAN'T, I WILL EXCHANGE OPINIONS WITH YOU.

9. BELLAMY: WE HAVE MANY QUESTIONS WE WOULD LIKE TO ASK BUT LET ME SET FORTH THREE BASIC ONES. THE FIRST QUESTION IS CONCERNED WITH ECONOMICS AND DEVELOPMENT HERE. OVER THE FOUR WEEKS THAT THE DELEGATION WILL HAVE BEEN HERE WE WILL HAVE AN OPPORTUNITY TO VISIT SOME INSTITUTIONS AND PLACES IN YOUR COUNTRY. WE UNDERSTAND THE EMPHASIS THAT YOU HAVE BEEN PLACING ON PROGRESS IN THE ECONOMY AND WE HAVE BEEN VERY IM-  
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PRESSED, BUT WHAT WE WOULD LIKE TO KNOW IS WHAT DO YOU EXPECT TO BE THE KEY QUESTIONS OVER THE NEXT FIVE YEARS AND OVER THE NEXT TEN YEARS IN ECONOMIC DECISION MAKING. SPECIFICALLY WHAT DO YOU ANTICIPATE TO BE THE KEY QUESTIONS OVER THOSE TIME FRAMES IN INDUSTRY, IN AGRICULTURE, IN TRADE AND IN SCIENTIFIC AND CULTURAL EXCHANGES WITH OTHER COUNTRIES.

10. LI: SO MANY QUESTIONS.

11. BELLAMY: THE NEXT QUESTION HAS TO DO WITH THE MILITARY. IN LIGHT OF THE SOVIET MILITARY BUILD-UP, WHAT IS THE THRUST OF CHINA'S MILITARY SPENDING AND HOW MIGHT THIS IMPACT ON CHINA'S OTHER DOMESTIC PRIORITIES. THE THIRD QUESTION CONCERNS BILATERAL RELATIONS BETWEEN THE UNITED STATES AND CHINA. IN THE SHANGHAI COMMUNIQUE OF 1972 THE US SIDE RE-AFFIRMED ITS COMMITMENT TO PEACEFUL SOLUTION OF THE TAIWAN QUESTION. DO RECENT STATEMENTS BY CHINESE

LEADERS THAT CHINA WILL USE FORCE TO LIBERATE TAIWAN  
MAKE THE SHANGHAI COMMUNIQUE INOPERABLE AND PRECLUDE  
NORMALIZATION OF RELATIONS BETWEEN THE UNITED  
STATES AND CHINA?

12. (GIVING A SNAP ANSWER): NO.

13. BELLAMY: THOSE ARE OUR THREE BASIC QUESTIONS.

14. LI: LET ME BEGIN WITH THE LAST QUESTION. I WILL  
ANSWER THAT QUESTION FIRST. WITH REGARD TO SINO-US  
RELATIONS, THERE ARE TWO LINES OR TWO ASPECTS SO FAR  
AS TAIWAN IS CONCERNED. ONE IS THE INTERNATIONAL  
QUESTION, THE INTERNATIONAL ASPECT OF RELATIONS.  
BETWEEN THE US AND CHINA IT WAS STATED VERY CLEARLY  
IN THE SHANGHAI COMMUNIQUE THAT THE US ACKNOWLEDGES  
THAT ALL CHINESE ON EITHER SIDE OF THE TAIWAN STRAIT  
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MAINTAIN THAT THERE IS ONE CHINA AND TAIWAN IS A PART  
OF CHINA. THE UNITED STATES GOVERNMENT DOES NOT  
CHALLENGE THAT POSITION. (THIS PORTION LI READ  
DIRECTLY FROM THE TEXT OF THE SHANGHAI COMMUNIQUE  
GIVEN HIM IN A PREPARED BRIEFING BOOK BY US DIVISION  
DEPUTY DIRECTOR LIEN CHENG-PAO). AS FOR THE INTERNATIONAL  
ASPECT OF THIS QUESTION THAT IS DESCRIBED IN THE  
SHANGHAI COMMUNIQUE. WE ARE WILLING TO REACH A SETTLE-  
MENT WITH THE US ON THIS ISSUE. THIS IS NOT ONLY  
OUR PRESENT POLICY BUT ALSO THE POLICY WHICH PREMIER  
CHOU SET FORTH AT THE BANDUNG CONFERENCE. AT THE BANDUNG  
CONFERENCE PREMIER CHOU SET FORTH THIS POSITION TO  
HIS US COUNTERPART. HE MADE PLAN THAT THIS ASPECT  
OF THE TAIWAN ISSUE--THAT IS THE INTERNATIONAL ASPECT --  
BETWEEN THE U.S. AND CHINA IS NEGOTIABLE. SUBSEQUENTLY

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INFO OCT-01 ISO-00 SSO-00 /026 W  
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P 100105Z JUN 77  
FM USLO PEKING  
TO SECSTATE WASHDC PRIORITY 7973  
INFO AMCONSUL HONG KONG PRIORITY  
AMEMBASSY MOSCOW PRIORITY  
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EXDIS

PREMIER CHOU AGAIN ADDRESSED THIS POINT AT A MEETING OF THE HEADS OF STATE OF EIGHT COUNTRIES, THAT IS, OF AFRO-ASIAN LEADERS ON APRIL 23, 1955. PREMIER CHOU SAID THE FOLLOWING (LI AGAIN READ FROM A BRIEFING PAPER): "THE CHINESE PEOPLE ARE FRIENDLY TOWARD THE UNITED STATES PEOPLE. THE CHINESE PEOPLE DO NOT WISH TO GO TO WAR WITH THE UNITED STATES. WE WISH TO SIT DOWN WITH THE UNITED STATES GOVERNMENT AND TO DISCUSS AN EASING OF TENSIONS IN THE FAR EAST, ESPECIALLY IN THE TAIWAN STRAIT." MAY I QUOTE STILL ANOTHER STATEMENT MADE BY PREMIER CHOU EN-LAI. THIS STATEMENT HE DELIVERED AT THE THIRD SESSION OF THE FIRST NATIONAL PEOPLE'S CONGRESS ON JUNE 28, 1956. IN THIS STATEMENT PREMIER CHOU SAID: "THE CHINESE SIDE IS NOT AGAINST AN AGREEMENT ON MUTUAL RENUNCIATION OF USE OF FORCE IN SINO-AMERICAN RELATIONS. AT BANDUNG THE CHINESE SIDE DECLARED THAT IT DOES NOT WANT WAR WITH THE UNITED STATES AND IS WILLING TO SIT DOWN WITH THE UNITED STATES ON THE QUESTION OF EASING TENSIONS IN THE TAIWAN STRAIT. AT THE SAME TIME THERE IS A QUESTION AS TO WHAT MEANS CHINA WILL USE TO LIBERATE TAIWAN. THIS QUESTION WILL BE DECIDED BY THE CHINESE. THIS CONFIDENTIAL

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IS ENTIRELY A QUESTION OF CHINESE SOVEREIGNTY". (LI CONTINUES) SO YOU CAN SEE TWO ASPECTS TO THE ISSUE. ONE IS INTERNATIONAL. WE ARE WILLING TO DISCUSS WITH YOU THIS QUESTION WITHOUT RESORT TO FORCE OR TO THREAT OF FORCE. THE OTHER ASPECT IS DOMESTIC. TAIWAN IS A PART OF CHINA. DURING THE CAIRO DECLARATION AND ON THE OCCASION OF THE JAPANESE SURRENDER AT THE END OF WORLD WAR II IT WAS CLEARLY STIPULATED THAT TAIWAN IS PART OF CHINESE TERRITORY, THAT TAIWAN IS A PROVINCE OF CHINA. WE SAY THAT THE TAIWAN ISSUE IS ALSO AN INTERNAL ONE AND WHAT MEANS WE RESORT TO IN LIBERATING TAIWAN IS ENTIRELY OUR OWN BUSINESS. WHETHER WE DECIDE TO USE FORCE OR TO USE PEACEFUL MEANS IS ENTIRELY A CHINESE AFFAIR. NO OTHER COUNTRY HAS A RIGHT TO INTERVENE AND YOU WILL SEE ALSO WITH CAREFUL ATTENTION

THAT MY EXPLANATION GIVEN TODAY AND THE TWO DOCUMENTS QUOTED ARE ENTIRELY IN ACCORD. IT SEEMS TO ME THAT THESE TWO ASPECTS ARE A BIT CONFUSED IN THE MIINDS OF SOME AMERICANS. THE RELATIONS BETWEEN CHINA AND THE UNITED STATES ARE CONFUSED WITH RELATIONS BETWEEN US AND THE JUNIOR CHIANG REGIME IN TAIWAN. ACTUALLY WE HAVE DISCUSSED THIS QUESTION WITH MANY FRIENDS BEFORE AND THE ISSUE HAS BEEN MUTUALLY DISCUSSED WITH YOUR GOVERNMENT, WITH THE NIXON ADMINISTRATION, WITH THE FORD ADMINISTRATION, AND WITH THE PRESENT ADMINISTRATION. ON NUMEROUS OCCASIONS WE HAVE PUT FORWARD TO YOUR GOVERNMENT OUR POSITION ON TAIWAN. OUR POSITION ON TAIWAN IS THAT THE UNITED STATES MUST BREAK DIPLOMATIC RELATIONS WITH TAIWAN, MUST WITHDRAW ALL OF ITS MILITARY FORCES FROM TAIWAN, AND MUST ABROGATE ITS SO-CALLED DEFENSE TREATY WITH TAIWAN. AS TO HOW WE SOLVE THE ISSUE OF LIBERATING TAIWAN, THIS IS ENTIRELY AN INTERNAL MATTER FOR CHINA TO DECIDE.

15. (LI CONTINUING) I HAVE READ A BRIEF SUMMARY OF YOUR DISCUSSIONS WITH THE VICE FOREIGN MINISTER, CONFIDENTIAL

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(WANG HAI-JUNG) AND IT SEEMS TO ME THAT THE VICE FOREIGN MINISTER IS FOR FORCE. SHE SAYS THAT (READING A TRANSCRIPT) "THERE IS A BUNCH OF COUNTER-REVOLUTIONARIES IN TAIWAN AND IN OUR VIEW WE THINK THE QUESTION CAN ONLY BE RESOLVED BY A FIGHT". I FIND THAT I AM IN AGREEMENT WITH HER -- BUT THEN SHE IS PROBABLY A RADICAL (LAUGHTER). BEFORE THE SETTLEMENT OF THE TAIWAN ISSUE, WE CAN HAVE SOME CONTACTS. TRADE IS GOING ON. THERE ARE SOME CULTURAL EXCHANGES AND THERE ARE QUITE A FEW PERSONAL EXCHANGES. AND AS FOR THE VIEW TOWARDS THE INTERNATIONAL SITUATION, THE VIEWS OF THE TWO SIDES ARE IN AGREEMENT ON SOME MATTERS AND ON OTHERS THERE IS NOT SO MUCH AGREEMENT, BUT IT DOESN'T MATTER. FOR EXAMPLE, WITH REGARD TO THE ISSUE OF JAPAN, WE STATED THAT WE BELIEVE YOUR RELATIONS WITH JAPAN COME FIRST. YOU MAY SAY BUT THAT IS THE AMERICAN POINT OF VIEW. HOW CAN YOU AGREE WITH THAT? WELL, IT IS SO ON THIS ISSUE BECAUSE BOTH THE UNITED STATES AND JAPAN ARE CAPITALIST COUNTRIES. YOU ALSO HAVE A MILITARY ALLIANCE BETWEEN YOU. IT IS ALSO SAID THAT THERE IS A GREAT VOLUME OF TRADE BETWEEN THE UNITED STATES AND JAPAN. THAT IS THE STATUS QUO. IT IS NOT A QUESTION AS TO WHETHER ONE AGREES OR NOT, OR WHETHER ONE OBJECTS OR NOT TO THE STATE OF AFFAIRS. SO PERHAPS THIS IS A COMMON POINT OF VIEW. WITH REGARD TO THE POLAR BEAR, THAT IS TO THE SOVIET SOCIAL IMPERIALISTS, AS WE CALL THEM, WE SAY THEY

ARE INTERVENING AND ARE CONTENDING WITH YOU. BUT  
WE ALSO BELIEVE THAT YOU ARE IN THE DEFENSIVE POSTURE  
WHILE THEY ARE IN AN OFFENSIVE POSITION. AND AMONG  
THE AMERICAN STATESMEN, IT SEEMS TO ME THAT THE VIEWS  
OF DR. SCHLESINGER ARE COMPARATIVELY MORE CORRECT.  
I HEAR THAT SOME OF YOU SEEM TO THINK THAT CHINA MIGHT  
BE TRYING TO SOW DISCORD BETWEEN YOU AND THE SOVIET  
UNION. WE ARE NOT TRYING TO SOW DISCORD. THIS IS  
AN OBJECTIVE FACT. AND EVEN IF YOU BELIEVE THAT WE  
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ARE TRYING TO SOW DISCORD, WHY WOULD YOU HAVE TO  
LISTEN TO US? AND ALSO, ON THE ISSUE OF YOUR DETER-  
MINATION TO DISARM, WE SAW THAT IMMEDIATELY FOLLOWING  
THE EUROPEAN SECURITY CONFERENCE THE SOVIET UNION  
WENT INTO ANGOLA AND THERE WAS AN INCREASE OF THEIR  
MILITARY FORCES FROM 3 TO 4 MILLION TROOPS. THAT  
MAKES US DISBELIEVE IN DISARMAMENT AND DETENTE. WE

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INFO OCT-01 ISO-00 SSO-00 /026 W  
-----100631Z 013821 /16

P 100105Z JUN 77

FM USLO PEKING

TO SECSTATE WASHDC PRIORITY 7974

INFO AMCONSUL HONG KONG PRIORITY

AMEMBASSY MOSCOW PRIORITY

AMEMBASSY TAIPEI PRIORITY

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EXDIS

THINK THIS TALK DAY IN AND DAY OUT ABOUT DISARMAMENT  
CAN ONLY HAVE THE RESULT OF LULLING THE VIGILANCE OF  
THE PEOPLE SO THAT WHEN SOMETHING HAPPENS THEY WILL  
BE UNPREPARED AND WE THINK THAT ON THE CONTRARY IT IS  
BETTER TO KEEP ONE'S EYES OPEN AND TO MAINTAIN ONE'S

VIGILANCE HIGH RATHER THAN CLOSING ONE'S EYES AND FALLING ASLEEP ON A SOFT PILLOW. THERE IS AN OLD CHINESE SAYING "ONE SHOULD NOT HAVE THE DESIRE TO KILL OTHERS BUT ONE HAS THE RIGHT TO AVOID HAVING OTHERS DO THAT TO ONESELF." IN OUR OPINION IT IS BETTER TO MAINTAIN HIGH VIGILANCE AND YOU CAN SEE THAT WE ARE MAKING PREPARATIONS. FOR EXAMPLE, WE ARE DIGGING UNDERGROUND TUNNELS. BUT WE WILL NOT FIRE THE FIRST SHOT. WE ACT ACCORDING TO THE SENTENCES LAID DOWN BY CHAIRMAN MAO. WE WILL NOT ATTACK UNLESS WE ARE ATTACKED. BUT IF WE ARE ATTACKED, WE WILL CERTAINLY COUNTERATTACK. THIS IS JUST AND FAIR. WE WILL NOT COMMIT AGGRESSION AGAINST OTHERS. BUT IF WE ARE ATTACKED WE WILL RESPOND. THIS MUST BE FAIR. I AM RAMPLING AWAY FROM YOUR TOPICS. (ASKS TANG WEN-SHENG TO REMIND HIM OF THE NEXT QUESTION). SO LET ME GO ON NOW TO DISCUSS ECONOMIC CONSTRUCTION. CONFIDENTIAL

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16. YOU ARE ALL PROBABLY FAMILIAR WITH THE FACT THAT WE ARE BUILDING OUR COUNTRY ACCORDING TO THE PRINCIPLE OF INDEPENDENCE, KEEPING INITIATIVE IN OUR OWN HANDS AND SELF-RELIANCE AND THE SPIRIT OF DILIGENCE, HARD WORK AND FRUGALITY. SOME ASKED US DO YOU HAVE THE PREREQUISITES FOR SELF-RELIANCE? AND I ANSWER YES. CHINA HAS 800,000,000 PEOPLE AND RICH NATURAL RESOURCES. AND I ADD THAT WE HAVE 9.6 MILLION SQUARE KILOMETERS OF AREA. THEREFORE WE SAY WE HAVE THE PREREQUISITES TO ENGAGE IN SELF-RELIANCE. SOME OF YOUR DELEGATION MEMBERS, UPON HEARING THIS, THINK THAT WE ARE GOING TO ADVOCATE A CLOSED-DOOR POLICY. BUT WE DO NOT EXCLUDE COMMERCIAL CONTACTS OR TECHNICAL EXCHANGES WITH FOREIGN COUNTRIES, INCLUDING WITH ADVANCED COUNTRIES LIKE YOURS. OUR FOREIGN TRADE IS CONDUCTED ALONG SUCH PRINCIPLES TOO. AS FOR PRIORITIES IN DEVELOPING OUR ECONOMY, AGRICULTURE OF COURSE COMES FIRST. THE ORDER OF PRIORITIES IS AGRICULTURE, LIGHT INDUSTRY AND HEAVY INDUSTRY. THIS IS BASED ON COMMON SENSE. HUMAN BEINGS HAVE TO EAT. THEY NEED CLOTHES TO WEAR. THEY NEED HOUSING AND TRANSPORTATION. BUT SUCH COMMON SENSE IS SOMETIMES FORGOTTEN BY SOME PEOPLE. FOR EXAMPLE, IN PARTY HISTORY THERE EMERGED A MAN CALLED WANG MING, WHO FORGOT THAT PEOPLE HAD TO EAT. HE IMAGINED THAT WE HAD A GREAT ABILITY TO STRUGGLE AT THE TIME WHICH WOULD ALLOW US TO FIGHT ONE BATTLE AFTER ANOTHER. TO FIGHT ONE BATTLE, THEN A SECOND, THEN A THIRD AND THEN A FOURTH. TO STORM MAJOR CITIES ONE AFTER ANOTHER. BUT WE DID NOT HAVE THAT ABILITY. IT SEEMED TO HIM THAT OUR SOLDIERS COULD FIGHT ON

EMPTY STOMACHS, THAT OUR PEOPLE COULD WORK WITHOUT  
SOMETHING TO EAT. THE CHAIRMAN WAS DIFFERENT. HE  
SAID THAT AFTER BATTLE YOU HAVE TO REST A WHILE, ALLOW  
TIME FOR MEALS REST, SOME SLEEP. SO WHY DO WE STRESS  
AGRICULTURE? THERE ARE 800,000,000 MOUTHS TO FEED  
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EVERY DAY. IS IT POSSIBLE TO FAST FOR ONE WEEK AFTER  
ONE MEAL? NO. WE MUST EAT EVERY DAY. THAT IS WHY  
WE ATTACH SUCH GREAT IMPORTANCE TO AGRICULTURE. IN  
OUR COUNTRY WE DEVELOP OUR AGRICULTURE BY LEARNING  
FROM TACHAI (TANG WEN-SHENG EXPLAINS THAT TACHAI IS  
THE NATIONAL MODEL IN AGRICULTURE AND GIVES SOME DE-  
TAILS ABOUT THE HISTORY OF TACHAI AND THE CONFERENCE  
ON LEARNINGS FROM TACHAI IN AGRICULTURE WHICH WAS  
HELD AT THE END OF 1976). IN THE PAST THE TACHAI  
BRIGADE WAS ABLE TO PRODUCE ONE TON OF GRAIN PER  
HECTARE. NOW THEY ARE TURNING OUT EIGHT TO NINE TONS OF GRAIN  
PER HECTARE. CAN YOU SAY THAT THERE IS A MIRACLE IN  
DOING SO, OR THAT THERE IS A HIGH DEGREE OF FARM  
MECHANIZATION? NO. THEY RELY ON THE WORK OF HUMAN  
BEINGS, ON SOIL CONSERVATION, ON WATER CONSERVANCY.  
BUT YOU PROBABLY ARE NOT GOING TO TACHAI ON THIS TRIP.  
YOU ARE GOING TO HUNAN AND YOU WILL SEE THAT WHEN  
CHAIRMAN HUA KUO-FENG WAS IN HUNAN YOU CAN PERHAPS SEE  
THE SHAOSHAN WATER CONSERVANCY WORKS WHICH WERE DEVELOPED  
UNDER THE DIRECTION OF CHAIRMAN HUA WHEN HE WAS IN  
HUNAN. THERE IS NOT ONLY ONE SUCH WATER IRRIGATION  
PROJECT IN CHINA. MANY OF OUR INDUSTRIAL MATERIALS  
COME FROM AGRICULTURE. FOR EXAMPLE, COTTON, TOBACCO  
AND SUGAR. MANY LIGHT INDUSTRY MATERIALS RELY ON  
THESE AGRICULTURAL PRODUCTS. THAT IS WHY THE CHAIRMAN  
ENUNCIATED THE POLICY OF TAKING GRAIN AS THE KEY LINK  
WHILE MAKING COMPREHENSIVE DEVELOPMENT. THERE IS ALSO  
ANOTHER WAY OF PUTTING IT. DEVELOP COMPREHENSIVELY  
AGRICULTURE, FORESTRY, ANIMAL HUSBANDRY AND SIDELINE  
PRODUCTS. AS FOR HEAVY INDUSTRY, WE WISH TO OPEN UP  
NEW AREAS. ONE IS IN PETRO-CHEMICALS AND COAL. WE  
HAVE SOME OIL AND THERE SEEMS TO BE GOOD PROSPECTS  
FOR DEVELOPMENT. WE HAVE A TACHING OIL FIELD AND  
DURING THE RECENT CONFERENCE ON LEARNING FROM TACHING  
IN INDUSTRY, CHAIRMAN HUA PUT FORTH THE GOAL OF  
TRYING TO ESTABLISH TEN OIL FIELDS LIKE TACHING. WE  
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HAVE COAL IN CHINA. WE ALSO USE QUITE A LOT. WE



HAVE BASIC RESOURCES. WE ALSO WISH TO DRAW UP OUR  
NATURAL GAS AND OUR HYDROELECTRIC CAPACITY. WE ALSO  
WISH TO DEVELOP SOME NUCLEAR POWER PLANTS BECAUSE  
WITHOUT ENERGY INDUSTRY CANNOT DEVELOP. MANY  
INDUSTRIES REQUIRE STEEL BUT IN ORDER TO DEVELOP OTHER  
INDUSTRIES ALL OTHER INDUSTRIES MUST BE DEVELOPED AS

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-----100747Z 014270 /16

P 100105Z JUN 77  
FM USLO PEKING  
TO SECSTATE WASHDC PRIORITY 7975  
INFO AMCONSUL HONG KONG PRIORITY  
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EXDIS

WELL. BECAUSE YOU CANNOT HAVE A STEEL PLANT WITHOUT  
ELECTRICITY AND YOU CANNOT HAVE THAT WITHOUT COAL.  
THIS IS VERY SIMPLE REASONING. ALL WILL UNDERSTAND IT.  
THEREFORE WE MUST REACH FOR A HIGH SPEED AND A PRO-  
PORTIONATE DEVELOPMENT. ONE CANNOT JUST DEVELOP ONE  
SIDE AND LEAVE ANOTHER ALONE. FOR EXAMPLE, IF YOU  
PAY ATTENTION TO AGRICULTURE ONLY AND NEGLECT INDUSTRY,  
HOW CAN YOU HAVE MACHINERY FOR FARM MECHANIZATION.  
BUT TO REALIZE MECHANIZATION YOU NEED STEEL. BUT IF  
ONE ONLY STRESSES INDUSTRY AND NOT AGRICULTURE PEOPLE  
STILL HAVE TO EAT. OUR SYSTEM IS DIFFERENT FROM YOURS.  
WE RELY ON A STATE PLAN. IT IS TROUBLESOME. THERE  
IS ENTHUSIASM ON ALL FRONTS. ONE WANTS TO GO QUICKLY  
AND YOU WOULD TOO. EVERYONE IS VERY COMPETITIVE.  
WE HAVE A STATE PLANNING COMMISSION THAT HAS Z DEAL  
WITH A FEW DOZEN MINISTRIES. THESE DO NOT ALWAYS  
AGREE ON THE PRESENT PRIORITITES AND WHEN THEY HAVE  
A DEBATE, IT IS VERY HEATED AND ANIMATED, PERHAPS  
MORE THAN YOUR OWN CONGRESSIONAL DEBATES. AND IT  
SEEMS TO ME THAT THE RELATIONSHIP BETWEEN THE CENTRAL  
MINISTRIES AND THE MUNICIPALITIES, FOR EXAMPLE, IS

OFTEN ONE OF COLLUSION AND CONTENTION. BUT THIS  
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DOESN'T MATTER BECAUSE ALL ARE CONTRADICTIONS AMONG  
THE PEOPLE AND WHEN THE CENTRAL COMMITTEE MAKES A  
DECISION, WE SAY THAT ALL THE OTHER VIEWS DON'T COUNT,  
SO WE TRY TO ADOPT A RATIONAL AND REASONABLE PROCEDURE.  
WE HAVE TO PERSUADE THEM THAT THEY ARE WRONG, SO IN  
THIS SENSE PLANNING IS ALSO EASY. WE HAVE TO RELY ON  
PARTY COMMITTEES AND THE GOVERNMENT AT MANY LEVELS.  
THE SITUATION IN OUR COUNTRY NOW IS QUITE GOOD.  
PERHAPS YOU CAN VISIT SOME PLACES.

17. AS FOR MILITARY CONSTRUCTION, THE DEVELOPMENT OF  
THE MILITARY INDUSTRY IS DECIDED BY THE DEVELOPMENT  
OF AGRICULTURE. YOU MAY HAVE NOTICED THAT AMONG THE  
FOUR MODERNIZATIONS THAT WE WISH TO ACHIEVE IS  
INCLUDED MODERNIZATION OF OUR NATIONAL DEFENSE. WE  
WANT TO DEVELOP OUR ARMAMENTS. THIS ALSO CALLS FOR  
AN AGRICULTURAL AND AN INDUSTRIAL BASIS. IN MY  
OPINION THE SOVIET UNION IS STRESSING DEVELOPMENT OF  
MILITARY IN SUCH A WAY THAT ITS AGRICULTURE AND ITS  
LIGHT INDUSTRY ARE DEVELOPED DISPROPORTIONATELY. THE  
SOVIET PEOPLE DO NOT EAT WELL ENOUGH. THEREFORE WE  
ARE TRYING FOR MODERNIZATION OF NATIONAL DEFENSE ON  
THE BASIS OF DEVELOPMENT OF OTHER INDUSTRIES AND OF  
AGRICULTURE. I HEAR THAT SOME FRIENDS HAVE SAID THAT  
OUR WEAPONS ARE EXTREMELY BACKWARD. WE ADMIT THAT BUT  
IN WARFARE WE RELY ON MILLET PLUS RIFLES. AS FOR OUR  
OVERALL MILITARY CAPABILITY, IT DEPENDS ON HOW YOU  
JUDGE IT AND WITH WHAT YOU COMPARE IT. IF WE COMPARE  
NUCLEAR WEAPONS, FOR EXAMPLE, YOUR NUCLEAR WEAPONS CAN  
BE COMPARED WITH THE THUMB WHEREAS OURS ARE SIMPLY THE  
TIP OF THE SMALLEST FINGER. IF WE SAY TO THE COUNTRY  
THAT YOURS ARE SO MUCH AND OURS ARE SO MUCH, THAT WOULD BE IRRELE-  
VANT. WE ARE NOT WORRIED. THE HUMAN FACTOR IS FIRST. THIS IS  
PROVED BY OUR HISTORY. DURING WORLD WAR II THE WEAPONS USED  
BY THE JAPANESE AGGRESSIVE FORCES WERE MORE ADVANCED THAN OURS.  
WE WERE HORRIBLY BACKWARD. SOME USED SPEARS AND KNIVES.  
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AND CHIANG KAI-SHEK ALSO HAD WEAPONS. MANY WERE VERY  
SOPHISTICATED; AIRPLANES, GUNS AND NAVAL FORCES.  
THEY WERE VERY MODERN AT THAT TIME IN CHINA. WE ONLY  
HAD INFANTRY, THE SIMPLEST ARTILLERY. THEY  
TRAVELLED IN CARS, WE TRAVELED ON OUR FEET. IN THE

END IT SEEMS THAT THEIR CARS RAN NO FASTER THAN OUR FEET AND THE WAR ENDED WITH THEIR DEFEAT. BUT THAT DOES NOT MEAN THAT WE DON'T WANT TO HAVE ADVANCED WEAPONS. WE ARE DOING OUR UTMOST TO ADVANCE TOWARD THAT GOAL. SO MILLET AND RIFLES DURING THE PRESENT DAY ARE NOT QUITE THE SAME. THAT IS CHINA'S BASIC MILITARY PRINCIPLE, THAT IS, WE ARE STRIVING FOR MILITARY MODERNIZATION BASED ON THE DEVELOPMENT OF OTHER INDUSTRIES AND OF AGRICULTURE.

18. AS FOR EDUCATION, WE ARE TRYING OUR BEST TO ENFORCE THE EDUCATIONAL LINE ADVANCED BY CHAIRMAN MAO. THIS EXPERIENCED GREAT SABOTAGE BY THE GANG OF FOUR. BECAUSE THE OLD EDUCATIONAL SYSTEM WOULD NOT ALLOW RELATIONS BETWEEN TEACHERS AND STUDENTS THEY WERE TOO HOSTILE. SOME OF THE TEACHERS TOOK THE STUDENTS AS ENEMIES AND THEY WERE TOO STRICT. THEY WERE UNREASONABLE. IN SOME EXTREME CASES, THE TEACHERS EVEN BEAT THE KIDS. THIS CAN'T BE DONE. THIS GIVES RISE TO RESISTANCE ON THE PART OF THE STUDENTS. THERE WAS FORCED FEEDING OF THE STUDENTS JUST LIKE FORCED FEEDING OF OUR PEKING DUCKS. IT DOESN'T MATTER WHETHER THEY WANT IT OR WHETHER THEY ARE FULL - JUST SPUEEZE IT INTO THEM. IF YOU ARE TOO GREEDY AND BITE OFF TOO MUCH YOU CAN'T DIGEST IT. SOME TEACHERS ADOPT THE METHOD OF SURPRISE ATTACKS AGAINST STUDENTS. THE STUDENTS DIDN'T WANT TO PUT UP WITH THIS AND THEY BECAME VERY ANGRY. BUT THE GANG OF FOUR TRIED TO TAKE ADVANTAGE OF CRITICISM OF SUCH WRONG PRACTICES TO SAY THAT STUDENTS SHOULD NOT TAKE EXAMINATIONS AT ALL. THEY SAID STUDENTS SHOULD HAD IN BLANK PAPERS. THERE  
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WAS ONE STUDENT NAMED CHANG TIEH-SHENG IN THE NORTH-EAST WHO WAS FAMOUS FOR HANDING IN A BLANK EXAMINATION PAPER. THE GUIDELINES IN EDUCATION PUT FORWARD BY CHAIRMAN MAO MAKE EDUCATION SERVE PROLETARIAN POLITICS, THAT IS, TO COMBINE EDUCATION WITH PRODUCTIVE LABOR. THE PURPOSE IS TO CULTIVATE E NEW GENERATION WITH SOCIALIST CONSCIOUSNESS AND CULTURAL KNOWLEDGE, TO ENABLE STUDENTS TO DEVELOP MORALLY, MENTALLY AND

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----100805Z 014515 /16

P 100105Z JUN 77  
FM USLO PEKING  
TO SECSTATE WASHDC PRIORITY 7976  
INFO AMCONSUL HONG KONG PRIORITY  
AMEMBASSY MOSCOW  
AMEMBASSY TAIPEI PRIORITY

C O N F I D E N T I A L SECTION 5 OF 7 PEKING 1173

EXDIS

PHYSICALLY. SOMETIMES INTELLIGENCE CAN BE A GREAT  
NUISANCE. IT SEEMS THERE ARE QUITE A NUMBER OF INTEL-  
LIGENT PERSONS AMONG YOU. SOME INTELLECTUALS ARE A  
BIT NASTY, IN FACT; HAVING ACQUIRED SOME KNOW-  
LEDGE THEY TRY TO SCARE THE WORKERS AND PEASANTS WITH  
THEIR KNOWLEDGE. BUT ON THE WHOLE THE MAJORITY OF  
INTELLECTUALS ARE GOOD PEOPLE, SO DON'T GET ANGRY  
WITH ME.

19. WE HAVE QUITE A SIZEABLE POPULATION, 800,000,000

PEOPLE. SOME SAY EVEN LARGER. WE HAVE SO MANY PEOPLE  
THAT IT IS NOT QUITE CLEAR EVEN TO OURSELVES HOW MANY  
PEOPLE WE HAVE. IT SEEMS TO ME THAT WE HAVE NOT LESS  
THAN 800,000,000 PEOPLE. BUT IF YOU GO BY FIGURES  
AND TOTAL UP THE VARIOUS PROVINCES, YOU WOULD BE  
SCARED TO DEATH. WE HAVE AT LEAST 900,000,000 PEOPLE.  
SUCH WORDS CANNOT BE BELIEVED. THEY HAVE THEIR AIMS  
IN PRESENTING THESE FIGURES. WHAT THEY MEAN IS - MY  
POPULATION IS GROWING. I NEED MORE CONSTRUCTION.  
THE CENTRAL COMMITTEE MUST TAKE NOTE AND ALLOCATE  
FUNDS ACCORDINGLY. BUT I THINK THERE ARE AROUND  
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800,000,000 PEOPLE AND THAT IS WHY WE MUST GO IN FOR

FAMILY PLANNING. THIS HAS BEGUN TO BE EFFECTIVE,  
INCLUDING IN THE COUNTRYSIDE. IT HAS BEEN EFFECTIVE  
IN THE CITY FOR MANY YEARS BECAUSE THE LEVEL OF AWARE-  
NESS IN URBAN AREAS IS HIGHER IN THIS RESPECT  
PERHAPS BECAUSE OF HIGHER EDUCATION. AND AT PRESENT  
WITH THE DEVELOPMENT OF EDUCATION AND CULTURE IN THE

COUNTRYSIDE THE RURAL POPULATION IS ACCEPTING FAMILY PLANNING MORE AND MORE. IT SEEMS THAT THE POPULATION OF THE UNITED STATES COULD BE INCREASED A BIT. WHAT IS THE AREA OF YOUR COUNTRY AND WHAT IS THE POPULATION? (ONE OF THE DELEGATION MEMBERS TELLS VICE PREMIER LI THAT THE AREA OF THE UNITED STATES IS ABOUT THE SAME AREA AS CHINA AND THAT THE POPULATION IS AROUND 225 MILLION). BUT WE HAVE 800,000,000 AND YOU HAVE ONLY 200 MILLION. IN COMPARISON IT SEEMS TO ME THAT YOU HAVE TO DEVELOP YOUR POPULATION A BIT MORE. IS THAT NOT POSSIBLE?

20. GROUP MEMBER: WE WILL TRY OUR BEST TO BE DILIGENT.

21. LI: SO PERHAPS THE ONLY THING WE CAN SAY IS THAT WE WILL NOT INTERFERE IN YOUR DOMESTIC AFFAIRS. AND WHAT WE ARE DOING IN CHINA IS ONLY EDUCATION, PROPAGANDA AND PERSUASION. BUT IT IS ARDUOUS EDUCATION AND HARD PERSUASION. AND FOR US, WE STILL WISH TO MAKE PEOPLE AGREE WITH FAMILY PLANNING ON A VOLUNTARY BASIS. IT WILL NOT DO TO ENGAGE IN COMMANDISM. IT SEEMS THAT THE POLICY OF INDIRA GANDHI WAS INCORRECT, NOR WILL IT DO TO ENFORCE OPERATIONS OR ABORTIONS. HOW CAN YOU HAVE YOUR GOVERNMENT OFFICIALS GO OUT INTO THE STREETS AND GRAB PEOPLE AND FORCE THEM TO HAVE OPERATIONS. PEOPLE SIMPLY WILL NOT ACCEPT THAT. THAT WILL NOT DO. PERHAPS THAT IS ONE OF THE REASONS WHY MRS. GANDHI LOST HER ELECTION. I HAVE BEEN GOING ON TOO LONG.  
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22. DELEGATION MEMBER: IF I COULD RETURN TO YOUR ANSWER TO THE FIRST QUESTION, YOU MENTIONED THAT WE ARE IN A DEFENSIVE POSTURE AND THE SOVIETS IN AN OFFENSIVE POSTURE. I MIGHT POINT OUT THAT THAT IS IN ACCORD WITH THE WISHES OF THE AMERICAN PEOPLE. THE FOUNDATION OF OUR POLICY IS DEFENSIVE. THE BASIS OF THIS POSTURE IS NATO, WHICH IS A DEFENSIVE ALLIANCE. THE UNITED STATES HAS ALWAYS BEEN THIS WAY. IN THIS THE UNITED STATES AND CHINA AGREE.

23. LI: IN THE PAST YOU HAVE LAUNCHED YOUR OFFENSIVES TOO.

24. DELEGATION MEMBER: WE MIGHT NOT AGREE ON WHETHER THEY WERE OFFENSIVE OR DEFENSIVE.

25. LI: I SAY THAT THEY ARE OFFENSIVE. OF COURSE THAT BELONGS TO THE PAST.

26. DELEGATION MEMBER: SO WE SHOULD AGREE TO LEAVE IT IN THE PAST. ON ANGOLA I WISH TO MAKE A POINT. THE SOVIETS AND THE CHINESE WERE BOTH ACTIVE IN ANGOLA BEFORE THE PORTUGUESE FORCES LEFT. I MIGHT POINT OUT THAT THIS WAS BEFORE THE EUROPEAN CONFERENCE ON SECURITY.

27. LI: WHAT I WAS TALKING ABOUT IS THE CUBAN MERCENARIES WENT INTO ANGOLA WITH SOVIET BACKING AFTER THE COUNCIL ON SECURITY AND COOPERATION IN EUROPE.

28. DELEGATION MEMBER: OH, THAT'S TRUE.

29. LI: AS FOR THE PERIOD BEFORE THE CUBAN TROOPS ENTERED ANGOLA WITH SOVIET SUPPORT, WE HAD SUPPORTED THE THREE FACTIONS IN ANGOLA. OF COURSE, OUR SUPPORT CONFIDENTIAL

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WAS DIFFERENT IN NATURE. WE SUPPORTED THESE FACTIONS AGAINST PORTUGUESE COLONIALISM WHILE THE SOVIET UNION TRIED TO MEDDLE UNDER THE SIGNBOARD OF ANTI-COLONIALISM WITH A PURPOSE OF INSERTING THEIR PAWNS INTO THAT AREA. THEY SUPPORTED ONE FACTION AGAINST THE OTHERS.

30. DELEGATION MEMBER: MORE IMPORTANTLY, MR. VICE PREMIER, WEHVE ALL CONCERNED ABOUT TAIWAN. I AM SURE THAT EACH TIME THE AMERICAN PEOPLE HAVE MADE KNOWN THEIR POSITION ON TAIWAN THEY HAVE POINTED OUT THAT THEY DESIRE A PEACEFUL SOLUTION. THE LEADERS OF THE UNITED STATES ARE IN CLOSE TOUCH WITH THE MASSES THROUGH OUR ELECTORAL PROCESS, THAT IS, THROUGH THE AMERICAN ELECTIONS. IN THE SHANGHAI COMMUNIQUE THE US SIDE REAFFIRMED ITS INTEREST IN A PEACEFUL SETTLEMENT OF THE TAIWAN PROBLEM AND SAID IT WOULD WITHDRAW ITS MILITARY FORCES AS TENSIONS IN THE AREA DIMINISHED. OUR CONCERN IS THAT ON THE EVE OF OUR DEPARTURE AND AFTER WE ARE HEARING THE CHINESE LEADERS INDICATE THAT IT WILL BE NECESSARY TO USE FORCE TO LIBERATE TAIWAN. THIS THREAT IS A NEW ELEMENT, AN ELEMENT NOT MENTIONED IN THE SHANGHAI COMMUNIQUE. THAT IS, YOUR RECENT STATEMENTS THAT YOU ARE DETERMINED TO USE FORCE OR THE THREAT OF FORCE TO LIBERATE TAIWAN. WE ARE CONCERNED ABOUT THE IMPACT OF SUCH STATEMENTS ON AMERICAN PUBLIC OPINION WHICH LIMITS OUR GOVERNMENT'S FLEXIBILITY IN REACHING A SOLUTION TO THE TAIWAN PROBLEM.

31. LI: THAT IS NOT CORRECT. WHEN WE TALK ABOUT NOT RESORTING TO FORCE, THAT PERTAINS TO THE SINO-US ASPECT. IN THE SHANGHAI COMMUNIQUE IT WAS STATED THAT WE BELIEVED WE SHOULD NOT RESORT TO FORCE OR THREAT OF

FORCE IN RELATION TO OTHER STATES OR IN SETTling  
INTERNATIONAL DISPUTES, WHICH IN THIS CASE MEANS BE-  
TWEEN THEPEOPLE OF THE UNITED STATES AND CHINA.

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32. DELEGATION MEMBER: I UNDERSTAND, BUT I WAS REFER-  
RING TO THE SECTION OF THE SHANGHAI COMMUNIQUE WHICH  
STATES "THE UNITED STATES REAFFIRMS ITS INTEREST IN A  
PEACEFULSETTLEMENT OF THE TAIWAN QUESTION BY THE  
CHINESE THEMSELVES. WITH THIS PROSPECT IN MIND IT  
AFFIRMS THE ULTIMATE OBJECTIVE OF THE WITHDRAWAL OF  
ALL U.S. FORCES AND MILITARY INSTALLATIONS FROM  
TAIWAN. IN THE MEANTIME, IT WILL PROGRESSIVELY REDUCE  
ITS FORCES AND MILITARY INSTALLATIONS ON TAIWAN AS  
THE TENSION IN THE AREA DIMINISHES." THE REASON I POINT

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ACTION SS-25

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-----100805Z 014415 /12

P 100105Z JUN 77

FM USLO PEKING

TO SECSTATE WASHDC PRIORITY 7977

INFO AMCONSUL HONG KONG PRIORITY

AMEMBASSY MOSCOW PRIORITY

AMEMBASSY TAIPEI PRIORITY

C O N F I D E N T I A L SECTION 6 OF 7 PEKING 1173

EXDIS

THIS OUT IS OUR CONCERN THAT RECENT STATEMENTS BY  
CHINESE LEADERS CREATE TENSION RATHER THAN DIMINISH  
TENSION, AND THIS CAUSES GREAT CONCERN AMONG THE  
AMERICAN PEOPLE AS EXPRESSED IN PUBLIC OPINION POLLS.  
AMERICAN LEADERS THEREFORE SEE IT AS MORE DIFFICULT  
TO RESOLVE. OF COURSE WE ALL RECOGNIZE THAT THIS  
IS YOUR INTERNAL AFFAIR. BUT IT IS ALSO AN AFFAIR

OF CONCERN TO THE UNITED STATES AND EVEN THE VICE PREMIER'S STATEMENT THAT YOU ARE WILLING TO SIT DOWN WITH US RECOGNIZES THAT THERE IS AN AMERICAN INTEREST. WHETHER IT IS REASONABLE OR ILLEGITIMATE, THE US DOES HAVE AN INTEREST. THIS NEW DEVELOPMENT MOVES AWAY FROM A SETTLEMENT.

32. LI: THERE IS NO NEW DEVELOPMENT IN THE CHINESE POSITION. THIS HAS BEEN OUR CONSISTENT POSITION. BUT YOU ALWAYS STRESS THE US OPINION AND THE EXPRESSION OF THAT OPINION IN YOUR POLICY. WHY DON'T YOU GIVE EMPHASIS TO THE POSITION OF THE CHINESE PEOPLE? IF THERE WAS A REFERENDUM AMONG THE 800 MILLION PEOPLE OF CHINA, 95 PERCENT WOULD BE FOR THE IMMEDIATE LIBERATION OF TAIWAN. YOU SAY THAT THE AMERICAN  
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LEADERS ARE IN A DIFFICULT POSITION. WE SAY THAT IF THE TAIWAN ISSUE IS NOT SETTLED CORRECTLY, HOW WILL WE FACE OUR PEOPLE.

33. DELEGATION MEMBER: I THINK THAT IN SUCH A CASE LEADERS OF BOTH COUNTRIES WILL HAVE TO USE WISDOM AND COMPROMISE AND THUS REACH AGREEMENT. IF BOTH SIDES FOLLOWED ONLY THE OPINIONS OF THEIR PEOPLE, THAT IS THE 95 PERCENT OF THE CHINESE PEOPLE WHO FAVOR LIBERATION OF TAIWAN, AND THE MAJORITY OF US PUBLIC OPINION WHICH FAVORS A PEACEFUL SETTLEMENT, IF WE FOLLOW ONLY THESE OPINIONS THEN WE WOULDN'T BE SITTING HERE TODAY. AND THERE WOULD HAVE BEEN NO SHANGHAI COMMUNIQUE.

34. LI: I CANNOT AGREE THAT THE SHANGHAI COMMUNIQUE AND YOUR BEING HERE TODAY ARE IN CONFLICT WITH THE DESIRES OF OUR TWO PEOPLES. I CAN ONLY SAY THAT THE VIEWS OF 95 PERCENT OF OUR PEOPLE ARE WELL-KNOWN TO US AND ALL I CAN DO IN RESPONSE IS TO GIVE YOU THAT OPINION. IN THE FINAL ANALYSIS, THE TAIWAN ISSUE IS AN INTERNAL ISSUE AND WE ASK YOU TO CEASE YOUR INTERFERENCE IN THIS. IF OTHERS INTERFERED IN YOUR AFFAIRS HOW WOULD YOU REACT?

35. DELEGATION MEMBER: I MIGHT MENTION THAT THERE WAS A DELEGATION OF MAYORS THAT INCLUDED THE MAYOR OF SAN JUAN, PUERTO RICO, WHICH ULTIMATELY DID NOT COME TO VISIT THE PEOPLE'S REPUBLIC OF CHINA BECAUSE OF THE PEOPLE'S REPUBLIC OF CHINA'S POSITION THAT PUERTO RICO IS NOT A PART OF THE UNITED STATES.

36. LI: THE CHINESE POSITION ON THAT ISSUE WAS STATED



AT THE UNITED NATIONS.

37. DELEGATION MEMBER: WITH REGARD TO NORMALIZATION  
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OF RELATIONS, IT IS OUR RESPONSIBILITY TO TELL YOU  
FRANKLY WHAT THE VIEWS AND CONSIDERATIONS OF OUR  
PEOPLE ARE. WE ARE ALL IN AGREEMENT, AS WAS EARLIER  
STATED, THAT THIS VISIT WILL ENHANCE UNDERSTANDING  
BETWEEN OUR TWO COUNTRIES. THIS KIND OF EXCHANGE IS  
NECESSARY IF WE WANT TO CONTINUE THE PROCESS, A  
PROCESS THAT MUST GO ON IF WE ARE TO PROCEED TO  
NORMALIZATION OF RELATIONS.

38. LI: A VISIT WHICH INCLUDES EXCHANGE OF OPINIONS  
CAN BE BENEFICIAL. THERE IS TIME FOR ONE FINAL QUESTION.

39. DELEGATION MEMBER: AS WE CONTINUE OUR VISIT AND  
VISIT YOUR PROJECTS, I THINK IT WOULD BE HELPFUL TO  
UNDERSTAND THE TOOLS OF MEASUREMENT YOU USE IN  
DETERMINING YOUR CAPITAL INVESTMENT. IN OTHER WORDS,  
TO UNDERSTAND WHAT METHOD YOU USE TO DECIDE  
ABOUT YOUR PRIORITIES. IN THE WEST WE USE A COST  
EFFECTIVENESS TECHNIQUE AND WE SIMPLY DON'T UNDERSTAND  
WHAT METHOD YOU USE.

40. LI: THIS WILL INVOLVE A HUGE AMOUNT OF INVESTIGATION  
AND CAREFUL WEIGHING OF PROS AND CONS AND HEARING  
OF VAST OPINIONS. BUT I MUST HONESTLY SAY THAT OUR  
PLANNING COMMISSION SOMETIMES MAKES MISTAKES. BUT WE

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ACTION SS-25

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FM USLO PEKING  
TO SECSTATE WASHDC PRIORITY 7978  
INFO AMCONSUL HONG KONG PRIORITY

AMEMBASSY MOSCOW PRIORITY

AMEMBASSY TAIPEI PRIORITY

C O N F I D E N T I A L SECTION 7 OF 7 PEKING 1173

EXDIS

TRY OUR BEST. WE THINK IT ALLOWABLE TO MAKE MISTAKES. FIRST WE HOPE THERE ARE NO MISTAKES, BUT SECOND WE CONSIDER IT ALLOWABLE TO MAKE SOME MISTAKES. SO WHAT WE RELY ON MOST OF ALL IS TO LEND AN EAR TO DIFFERENT OPINIONS. LET THE PEOPLE IN THE COAL INDUSTRY, IN THE STEEL INDUSTRY, HAVE THEIR SAY AND THEN TRY TO BALANCE THEIR OPINIONS. OF COURSE, THIS IS TROUBLE-SOME.

41. DELEGATION MEMBER: NO, WHAT I MEANT WAS WHAT KIND OF METHOD DO YOU USE. FOR EXAMPLE, IN OUR COUNTRY WE USE RETURN ON INVESTMENT WITHIN THE GOVERNMENT AND IN BUSINESS WE USE A COST-BENEFIT ANALYSIS. (SIC)

42. LI: THAT WORKS WITH YOUR GOVERNMENT.

43. DELEGATION MEMBER: WE UNDERSTAND THE COMPETITION BETWEEN VARIOUS INTERESTS BECAUSE THAT IS THE PROCESS IN OUR OWN GOVERNMENT, ESPECIALLY BUDGET DEVELOPMENT.

44. LI: IN YOUR COUNTRY PROFITS TAKE COMMAND. FOR  
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EXAMPLE, IF TODAY THE COAL INDUSTRY TAKES IN THE MOST PROFITS, THEN MANY OF YOUR INVESTMENTS WILL FLOW IN THAT DIRECTION. AND WHERE THERE IS SURPLUS, FOR EXAMPLE, WITH STEEL, INVESTMENTS WILL FLOW IN ANOTHER DIRECTION. THAT IS NOT THE WAY WE OPERATE. IN AGRICULTURE, FOR EXAMPLE, WE NOT ONLY DO NOT GO ABOUT IT THAT WAY, WE DO NOT GET PROFITS BUT IN FACT WE MUST SUBSIDIZE BY MORE THAN 5 MILLION RMB.

45. DELEGATION MEMBER: THAT IS CORRECT FOR BUSINESS BUT NOT FOR GOVERNMENT.

46. LI: SO THAT IS THE DIFFERENCE IN OUR SOCIAL SYSTEMS. PERHAPS IT MAKES IT MORE DIFFICULT TO UNDERSTAND OUR SYSTEM.

47. LI: SO, ONCE AGAIN LET ME EXPRESS WELCOME TO ALL THE FRIENDS. I HOPE THAT YOU WILL HAVE A GOOD

VISIT TO MANY PLACES AND THAT YOU WILL SEE AS MUCH AS POSSIBLE. WHEN YOU VISIT THESE PLACES LOOK WITH AN EYE TO COMPARING, INCLUDING FIRST OF ALL TO COMPARE THINGS TODAY WITH THE WAY THINGS WERE IN PRE-LIBERATION ERA DURING THE CHIANG KAI-SHEK DAYS. OF COURSE, WE ALSO ADMIT THAT WE HAVE MANY BACKWARD ASPECTS. FOR EXAMPLE, IN THE MEANS OF TRANSPORT WE HAVE BOTH ADVANCED AND VERY BACKWARD MEANS. ON THE ONE HAND WE HAVE AIRPLANES, SHIPS, TRAINS AND AUTOMOBILES. BUT WE ALSO HAVE OXEN CARTS. WE ALSO RELY ON HUMAN LABOR, SUCH AS PEOPLE PUSHING CARTS OR CARRYING THINGS ON THEIR BACKS. BUT I THINK IT IS GOOD TO HAVE CANDID EXCHANGES.

48. DELEGATION MEMBER: I THINK WE HAVE ALREADY EXCEEDED OUR ALLOTTED TIME. WE THANK YOU FOR THIS GOOD OPPORTUNITY TO HEAR YOU AND TO COME TO THE GREAT HALL OF  
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THE PEOPLE. THE WHOLE WORLD HAS HEARD OF THE VICE PREMIER'S LEADERSHIP AND WE HAVE SEEN THIS LEADERSHIP TODAY. AS CHAIRMAN MAO SAID "STUDY, STUDY, STUDY".

49. LI: YOU FLATTER ME TOO MUCH. I LIKE YOUNG PEOPLE. WE OLD PEOPLE ARE MOVING TOWARD DEATH.

50. DELEGATION MEMBER: WE CAN LEARN MUCH FROM OUR ELDERS. TODAY WE HAVE LEARNED MUCH FROM YOU.  
THOMAS

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** DIPLOMATIC RELATIONS ESTABLISHMENT, POLITICAL LEADERS, MEETINGS, FOREIGN POLICY POSITION, ECONOMIC PROGRAMS, MILITARY CAPABILITIES  
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**Copy:** SINGLE  
**Sent Date:** 10-Jun-1977 12:00:00 am  
**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** X3  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770276-0774, D770207-0171  
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**Line Count:** 1012  
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**Litigation History:** Hold (001 Tobacco) added on 4/16/2009 3:39:07 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:04 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)  
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**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 19  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** 77 PEKING 1048  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 13-Oct-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
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**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbcc://SAS/SAS.dbo.SAS\_Docs/b31a667f-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

